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Viewing cable 09SOFIA696, BULGARIA PREPARES TO ANSWER RUSSIA ON ENERGY

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- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
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Reference ID	Created	Released	Classification	Origin
09SOFIA696	2009-12-09 15:20	2011-08-30 01:44	CONFIDENTIAL	Embassy Sofia

Appears in these articles:

<http://www.bivol.bg/wlbelene.html>

http://www.capital.bg/politika_i_ikonomika/bulgaria/2011/04/29/1082317_mrusna_energiia/

<http://wlcenral.org/node/1722>

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TO RUEHC/SECSTATE WASHDC IMMEDIATE 6530

INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE PRIORITY

RUEAIIA/CIA WASHINGTON DC PRIORITY

RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHINGTON DC PRIORITY

RHEHAAA/NATIONAL SECURITY COUNCIL WASHINGTON DC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 SOFIA 000696

SIPDIS

FOR SPE MORNINGSTAR

DOE FOR ELKIND, CUTLER, EKIMOFF

E.O. 12958: DECL: 12/07/2019

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SUBJECT: BULGARIA PREPARES TO ANSWER RUSSIA ON ENERGY PROJECTS

Classified By: CDA Susan Sutton for reasons 1.4 (b) and (d).

¶1. (C) Summary: The Prime Minister, President and Energy Minister briefed SPE Morningstar December 4 on changes in the Bulgarian energy sector and preparations for the next round of Bulgarian-Russian intergovernmental economic committee meetings. The Russian delegation, led by Energy Minister Schmatko, will arrive December 10 and expects to hear the new Bulgarian government's intentions on three large-scale energy projects to which the last government committed Bulgaria. Bulgarian officials told SPE Morningstar that Bulgaria will continue to pursue the South Stream gas pipeline, is still studying the Burgas-Alexandroupolis oil pipeline and will open a new tender for strategic investors for the now-frozen Belene Nuclear Power Plant project. Knowing they will be dependent on Russian energy sources for the foreseeable future and cannot rely on a common EU energy policy to protect their interests, the Bulgarians will stay engaged with Moscow while pursuing alternatives in the form of Nabucco, interconnectors, CNG/LNG possibilities and nuclear fuel diversification. End Summary.

¶2. (C) In a series of meetings with Bulgarian officials, businesses, energy experts and foreign diplomats December 4, SPE Morningstar commended the new government for its concerted efforts to bring greater diversification and transparency to the notoriously-opaque energy sector. He urged the Prime Minister and President to continue Bulgaria's outreach to Southern Corridor gas producers and Turkey to secure progress on Nabucco. He suggested that Bulgaria work more closely with like-minded EU member states in the region to ensure EU energy policy protected CEE country interests. SPE Morningstar stressed the need for continued work on regional interconnectors, diversification in the nuclear sector, including the use of alternative nuclear fuel and spent fuel storage capabilities, and efforts to promote greater transparency in the energy sector.

THE RUSSIANS ARE COMING

¶3. (C) The Bulgarians described their strategy ahead of the arrival to Sofia of Russian Energy Minister Schmatko's delegation December 10. Energy Minister Traykov stated there will be no surprises in Bulgaria's announcement about Sofia's participation in Russian-led energy projects. Bulgaria will continue to pursue South Stream, as this pipeline has become "a European project" and lessens Bulgaria's dependence on Ukraine as a transit country. Bulgaria still has environmental and other concerns about the Burgas-Alexandroupolis oil pipeline, so will call for additional studies on this project before making an investment decision. The Belene Nuclear Power Plant is currently frozen, having lost its strategic investor (RWE). To avoid "kill costs" and keep Moscow reasonably content, Traykov said Bulgaria will, reluctantly, open a new tender in an attempt to attract outside investors to the beleaguered project. Once the Russians leave, Bulgaria will continue to work on diversification and reform of the energy sector. He said Bulgaria is ready to move forward with a pilot relationship with the Extractive Industries Transparency Initiative, as one way to increase transparency in Bulgaria's gas transit sector.

PRESIDENT STRESSES SOUTHERN CORRIDOR OUTREACH

¶4. (C) President Parvanov, who led Bulgarian energy policy under the previous government, detailed his continued outreach to southern corridor energy producers, including recent visits to Sofia by the Presidents of Turkmenistan and Azerbaijan. He noted that Bulgaria has agreements to buy gas from both countries, but lamented the lack of alternatives to

access the agreed-upon quantities. He urged continued USG efforts to secure a Turkish transit agreement with Azerbaijan and described Bulgarian plans for a hook-up to the TGI pipeline and a joint Azerbaijan-Bulgarian study of taking compressed natural gas across the Black Sea via tanker. Parvanov expressed concern about Nabucco, saying that South Stream was becoming ever dominant, with Gazprom's proposal to increase the project's capacity to 63 bcm and the recent

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Turkish agreement on South Stream's route.

PM RAILS AGAINST EU DISUNITY; SEEKS MORE US ENGAGEMENT

15. (C) A clearly frustrated Prime Minister Borissov used his time with SPE Morningstar to rail against EU disunity in the face of Russian energy dominance, particularly in this region. Borissov complained that the EU was holding up funding for proposed interconnectors with Greece and Romania (the Bulgarians heard later in the day the EU would fund those projects) and that small, energy dependent EU member states were held hostage to the energy ambitions of Italy, France and Germany. He lamented that Bulgaria, the poorest EU member state, was still a net-contributor to the EU, causing a rise of Euro-skepticism in the country. He also urged more U.S. engagement in Bulgaria to show that Bulgarian efforts on Afghanistan, missile defense and other priorities are appreciated and rewarded. In particular, he called for inclusion of Bulgaria into the US Visa Waiver Program (a real sore point with the new government) and asked us to use USG good offices with the EU to support Bulgaria's inclusion into ERM-II and the Eurozone (something he described as "absolutely free" for the United States (reported septel)). He noted that the Russian presence in Bulgaria is growing ever stronger, with continued state-sponsored cultural events, high-level visits and offers of investment. His government, he said, was trying to make the right decisions -- on rule of law, our security relationship, transparency, and energy diversification, but to pull this off, Bulgaria needs more attention, engagement and support from both Brussels and Washington. SPE Morningstar agreed and promised to raise the PM's concerns in Washington.

16. (C) Comment: The Bulgarians will play it safe when the Russians come to town December 10. Knowing they will be dependent on Russian gas for years to come (and being in the middle of long-term gas supply contract negotiations) the Bulgarians can't afford to kill all of the Russian-dominated projects agreed to by the last government. Nor do they want to. Sofia sees increasing value in South Stream as lessening its dependence on Ukraine as a transit country. The government wants to be rid of Belene, but believes it will be too costly -- either in contractual kill costs or fall-out with Russia -- to let the project die at this time. Once the Russians leave, we should up our engagement with the clearly frustrated Prime Minister, who is making tough decisions on everything from rule of law to energy, but feeling little support from outside partners.

17. (U) SPE Morningstar cleared this message.
SUTTON